

UNITED WAY OF MONTEREY COUNTY

Financial Report

Years ended June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Monterey County
Monterey, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of United Way of Monterey County (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Monterey County as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Hutchison and Bloodgood LLP". The signature is written in a cursive, flowing style.

March 23, 2023

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,660,618	\$ 525,158	\$ 5,185,776
Pledges receivable, less allowance of \$132,000	604,323	--	604,323
Grants and accounts receivable	3,337,541	25,000	3,362,541
Prepaid expenses	32,738	--	32,738
	<u>8,635,220</u>	<u>550,158</u>	<u>9,185,378</u>
PROPERTY AND EQUIPMENT, at cost			
Land	1,549,100	--	1,549,100
Buildings and improvements	4,647,190	--	4,647,190
Furniture and equipment	176,576	--	176,576
	<u>6,372,866</u>	<u>--</u>	<u>6,372,866</u>
Less accumulated depreciation	68,344	--	68,344
	<u>6,304,522</u>	<u>--</u>	<u>6,304,522</u>
OTHER ASSETS			
Beneficial interest in assets held by others	678,901	306,754	985,655
	<u>\$ 15,618,643</u>	<u>\$ 856,912</u>	<u>\$ 16,475,555</u>

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 245,454	\$ --	\$ 245,454
Grants payable, current	3,512,669	--	3,512,669
Accrued expenses	93,546	--	93,546
Designated pledges payable	15,820	--	15,820
Deposits	14,721	--	14,721
Refundable advance	1,587,896	--	1,587,896
Current portion of long-term debt	65,825	--	65,825
	<u>5,535,931</u>	<u>--</u>	<u>5,535,931</u>
Total current liabilities			
LONG-TERM LIABILITIES			
Long-term debt, less current portion	3,425,503	--	3,425,503
Grants payable, less current portion	400,000	--	400,000
	<u>3,825,503</u>	<u>--</u>	<u>3,825,503</u>
	<u>9,361,434</u>	<u>--</u>	<u>9,361,434</u>
COMMITMENTS (NOTE 17)			
NET ASSETS			
Without donor restrictions			
Undesignated	4,221,552	--	4,221,552
Board designated	2,035,657	--	2,035,657
With donor restrictions	--	856,912	856,912
	<u>6,257,209</u>	<u>856,912</u>	<u>7,114,121</u>
Total net assets			
	<u>\$ 15,618,643</u>	<u>\$ 856,912</u>	<u>\$ 16,475,555</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 6,165,309	\$ 383,482	\$ 6,548,791
Pledges receivable, less allowance of \$148,000	317,099	--	317,099
Grants and accounts receivables	5,382,524	27,500	5,410,024
Prepaid expenses	82,484	--	82,484
	<u>11,947,416</u>	<u>410,982</u>	<u>12,358,398</u>
PROPERTY AND EQUIPMENT, at cost			
Furniture and equipment	186,089	--	186,089
Less accumulated depreciation	170,157	--	170,157
	<u>15,932</u>	<u>--</u>	<u>15,932</u>
OTHER ASSETS			
Beneficial interest in assets held by others	777,445	359,587	1,137,032
Security deposits	4,709	--	4,709
	<u>782,154</u>	<u>359,587</u>	<u>1,141,741</u>
	<u>\$ 12,745,502</u>	<u>\$ 770,569</u>	<u>\$ 13,516,071</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 94,837	\$ --	\$ 94,837
Grants payable, current	150,000	--	150,000
Accrued expenses	98,496	--	98,496
Designated pledges payable	13,763	--	13,763
Deferred revenue	23,798	--	23,798
Refundable advance	<u>7,100,000</u>	<u>--</u>	<u>7,100,000</u>
Total current liabilities	7,480,894	--	7,480,894
LONG-TERM LIABILITIES			
Grants payable, less current portion	<u>300,000</u>	<u>--</u>	<u>300,000</u>
	<u>7,780,894</u>	<u>--</u>	<u>7,780,894</u>
COMMITMENTS (NOTE 17)			
NET ASSETS			
Without donor restrictions			
Undesignated	2,973,480	--	2,973,480
Board designated	1,991,128	--	1,991,128
With donor restrictions	<u>--</u>	<u>770,569</u>	<u>770,569</u>
Total net assets	<u>4,964,608</u>	<u>770,569</u>	<u>5,735,177</u>
	<u>\$ 12,745,502</u>	<u>\$ 770,569</u>	<u>\$ 13,516,071</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Pledges, current campaign year	\$ 2,516,085	\$ 85,399	\$ 2,601,484
Donor designations to other organizations	(92,635)	--	(92,635)
Provision for uncollectible pledges	(54,944)	--	(54,944)
Program grants and contractual agreements	40,649,453	520,611	41,170,064
In-kind contributions	643,824	--	643,824
Other support	71,299	111,556	182,855
Total support	<u>43,733,082</u>	<u>717,566</u>	<u>44,450,648</u>
Revenue:			
Investment income	(88,227)	(45,255)	(133,482)
Administrative fees	6,101	--	6,101
Rental income	1,102	--	1,102
Miscellaneous income	7,957	--	7,957
Net assets released from restrictions	585,968	(585,968)	--
Total revenue	<u>512,901</u>	<u>(631,223)</u>	<u>(118,322)</u>
Total support and revenue	<u>44,245,983</u>	<u>86,343</u>	<u>44,332,326</u>
EXPENSES			
Program services:			
Community investments and designations	39,503,949	--	39,503,949
Amounts designated by donors	(92,635)	--	(92,635)
Community services	2,706,673	--	2,706,673
Support services:			
Management and general	463,966	--	463,966
Fundraising	371,429	--	371,429
Total expenses	<u>42,953,382</u>	<u>--</u>	<u>42,953,382</u>
Increase in net assets	1,292,601	86,343	1,378,944
Net Assets, beginning	<u>4,964,608</u>	<u>770,569</u>	<u>5,735,177</u>
Net Assets, ending	<u>\$ 6,257,209</u>	<u>\$ 856,912</u>	<u>\$ 7,114,121</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Pledges, current campaign year	\$ 937,130	\$ 69,920	\$ 1,007,050
Donor designations to other organizations	(87,582)	--	(87,582)
Provision for uncollectible pledges	(61,709)	--	(61,709)
Program grants and contractual agreements	5,498,562	1,033,540	6,532,102
PPP loan forgiveness	445,292	--	445,292
In-kind contributions	617,651	--	617,651
Other support	11,965	108,285	120,250
Total support	<u>7,361,309</u>	<u>1,211,745</u>	<u>8,573,054</u>
Revenue:			
Investment income	157,056	80,012	237,068
Administrative fees	6,397	--	6,397
Miscellaneous income	587	--	587
Net assets released from restrictions	999,073	(999,073)	--
Total revenue	<u>1,163,113</u>	<u>(919,061)</u>	<u>244,052</u>
Total support and revenue	<u>8,524,422</u>	<u>292,684</u>	<u>8,817,106</u>
EXPENSES			
Program services:			
Community investments and designations	5,331,483	--	5,331,483
Amounts designated by donors	(87,582)	--	(87,582)
Community services	2,357,753	--	2,357,753
Support services:			
Management and general	467,164	--	467,164
Fundraising	258,293	--	258,293
Total expenses	<u>8,327,111</u>	<u>--</u>	<u>8,327,111</u>
Increase in net assets	197,311	292,684	489,995
Net Assets, beginning	<u>4,767,297</u>	<u>477,885</u>	<u>5,245,182</u>
Net Assets, ending	<u>\$ 4,964,608</u>	<u>\$ 770,569</u>	<u>\$ 5,735,177</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services			Support Services			Total
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES							
Community investments and designations	\$ 39,503,949	\$ --	\$ 39,503,949	\$ --	\$ --	\$ --	\$ 39,503,949
Amounts designated by donors	(92,635)	--	(92,635)	--	--	--	(92,635)
Net community investments	39,411,314	--	39,411,314	--	--	--	39,411,314
Advertising and in-kind media donations	--	566,086	566,086	414	388	802	566,888
Salaries and wages	--	862,188	862,188	277,051	249,224	526,275	1,388,463
Payroll taxes and benefits	--	206,713	206,713	66,424	59,753	126,177	332,890
Professional and other fees	--	753,299	753,299	39,582	20,744	60,326	813,625
Occupancy expenses	--	68,223	68,223	23,944	17,531	41,475	109,698
Office expense	--	55,659	55,659	16,291	9,083	25,374	81,033
Conferences, travel and training	--	37,003	37,003	27,264	1,858	29,122	66,125
Program and campaign materials, services and supplies	--	99,770	99,770	4,468	4,748	9,216	108,986
Special events	--	8,444	8,444	285	130	415	8,859
Insurance	--	7,708	7,708	548	1,098	1,646	9,354
Depreciation	--	13,556	13,556	--	--	--	13,556
Miscellaneous	--	4,250	4,250	56	--	56	4,306
United Way Worldwide membership dues	--	23,774	23,774	7,639	6,872	14,511	38,285
	<u>\$ 39,411,314</u>	<u>\$ 2,706,673</u>	<u>\$ 42,117,987</u>	<u>\$ 463,966</u>	<u>\$ 371,429</u>	<u>\$ 835,395</u>	<u>\$ 42,953,382</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services			Support Services			Total
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES							
Community investments and designations	\$ 5,331,483	\$ --	\$ 5,331,483	\$ --	\$ --	\$ --	\$ 5,331,483
Amounts designated by donors	(87,582)	--	(87,582)	--	--	--	(87,582)
Net community investments	5,243,901	--	5,243,901	--	--	--	5,243,901
Advertising and in-kind media donations	--	632,580	632,580	150	1,988	2,138	634,718
Salaries and wages	--	739,400	739,400	301,641	173,242	474,883	1,214,283
Payroll taxes and benefits	--	186,280	186,280	75,994	43,646	119,640	305,920
Professional and other fees	--	509,187	509,187	15,920	7,517	23,437	532,624
Occupancy expenses	--	57,057	57,057	39,043	13,842	52,885	109,942
Office expense	--	54,851	54,851	17,714	6,482	24,196	79,047
Conferences, travel and training	--	9,699	9,699	770	597	1,367	11,066
Program and campaign materials, services and supplies	--	112,088	112,088	1,055	2,131	3,186	115,274
Special events	--	3,635	3,635	322	488	810	4,445
Insurance	--	6,279	6,279	1,646	946	2,592	8,871
Depreciation	--	14,696	14,696	874	502	1,376	16,072
Miscellaneous	--	2,500	2,500	--	--	--	2,500
United Way Worldwide membership dues	--	29,501	29,501	12,035	6,912	18,947	48,448
	<u>\$ 5,243,901</u>	<u>\$ 2,357,753</u>	<u>\$ 7,601,654</u>	<u>\$ 467,164</u>	<u>\$ 258,293</u>	<u>\$ 725,457</u>	<u>\$ 8,327,111</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,378,944	\$ 489,995
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	13,556	16,072
Change in beneficial interest in assets held by others	157,860	(213,127)
Provision for uncollectible pledges	54,944	61,709
Donated furniture	(87,300)	--
(Increase) decrease in:		
Pledges receivable	(342,168)	(1,530)
Grants and accounts receivables	2,047,483	(5,211,983)
Prepaid expenses	49,746	(45,026)
Security deposits	4,709	--
Increase (decrease) in:		
Accounts payable	150,617	(9,342)
Grants payable	3,462,669	(95,715)
Accrued expenses	(4,950)	17,186
Designated pledges payable	2,057	(1,079)
Deposits	14,721	--
Deferred revenue	(23,798)	(6,392)
Refundable advance	(5,512,104)	7,100,000
Refundable advance - PPP loan	--	(209,547)
Net cash provided by operating activities	<u>1,366,986</u>	<u>1,891,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to purchase property and equipment	(6,214,846)	--
Purchase of beneficial interest in assets held by others	(6,483)	--
Net cash used by investing activities	<u>(6,221,329)</u>	<u>--</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from long-term debt	<u>3,491,328</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	(1,363,015)	1,891,221
Cash and Cash Equivalents, beginning	<u>6,548,791</u>	<u>4,657,570</u>
Cash and Cash Equivalents, ending	<u>\$ 5,185,776</u>	<u>\$ 6,548,791</u>

The notes to financial statements are an integral part of these statements.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: United Way of Monterey County (the “Organization”) is an independent, locally managed nonprofit organization incorporated under the laws of the State of California. As a voluntary health and welfare organization, the Organization develops and allocates resources, conducts an assessment of health and human care needs of Monterey County, allocates funds to agencies to meet those needs, and facilitates the distribution of donor directed contributions. The Organization also brings experts together to develop collaborative approaches in addressing human care issues.

Accounting Policies: The accounting policy relative to the carrying value of property and equipment is indicated in a caption on the statement of financial position. Other significant accounting policies are:

Basis of Presentation: The financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Contributions received with donor restrictions that are met in the same reporting period are reported as increases net assets without donor restrictions.

Use of Estimates: Preparing the Organization’s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which include certificates of deposit with maturities ranging from three to twelve months and penalties for early withdrawal. Penalties for early withdrawal would not have a material effect on the financial statements.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation: Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses allocated include professional and other fees, office expense and United Way Worldwide membership dues, which are allocated on the basis of time and effort studies.

Community Investments: Community investments represent funds disbursed to community impact partners to carry out the Organization's mission of financial stability for families in Monterey County. Awards to community impact partners are recognized in the period the award is unconditionally committed.

Income Taxes: The Organization is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code and from state franchise tax under Revenue and Taxation Code Section 23701(d).

The Financial Accounting Standards Board (FASB) issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. As of June 30, 2022, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Property and Equipment: The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. All property and equipment is stated at cost, or if donated, at estimated fair value on the date of donation. Major improvements are charged to the property accounts, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When property is retired or otherwise disposed, the cost of the property and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation: Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years for furniture and equipment and 39 years for property.

Recognition of Pledges From Fundraising Campaigns, Designations and Allocations: The Organization conducts fundraising campaigns in Monterey County for program support and for participating health and human care agencies. For the year ended June 30, 2022, the campaign year ran from June 1, 2021, to May 31, 2022. For the year ended June 30, 2021, the campaign year ran from June 1, 2020 to May 31, 2021. Public support, including unconditional promises to give, is recorded at the fair value of the pledge in the year it is received or pledged.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Pledges From Fundraising Campaigns, Designations and Allocations (continued):

Contributions designated by the donor to nonprofit organizations other than the Organization are included in current year campaign pledges. The Organization serves as the primary fiscal agent with the solicitation and distribution of such pledges. Donor designations and the provision for uncollectible pledges are deducted from the total campaign results to arrive at net campaign support.

Other Support: The Organization receives other public support outside the conduct of the annual fundraising campaigns. Certain ceremonial, celebratory and special recognition events at the Organization are underwritten by sponsorship or the costs are offset by contributions for the specific event. Generally, the donating companies agree their contributions may also be used for other costs related to similar programs of the Organization.

Volunteer Services: A substantial number of volunteers donate significant amounts of time to the Organization's fundraising campaign and administrative oversight. Such services are not reflected in the financial statements since they do not create or enhance non-financial assets or require specialized skills that would typically be purchased.

Advertising: Advertising costs are expensed as incurred, and totaled \$566,888 (\$542,025 in-kind) and \$634,718 (\$606,928 in-kind) for the years ended June 30, 2022 and 2021, respectively.

New Accounting Pronouncement: The FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments require presentation of contributed nonfinancial assets as a separate line item in the statement of activities (apart from cash and other financial assets). In addition, disclosure is required for each type of contributed nonfinancial assets including uses, policies, restrictions, valuation details, and market information. ASU 2020-07 was adopted for the fiscal year ended June 30, 2022.

Refundable Advance: During the year ended June 30, 2021, the Organization received advanced funding of \$7,100,000 per a contractual agreement with the County of Monterey, related to the Monterey County Emergency Rental Assistance Program. As of June 30, 2022, the remaining advanced funding was \$1,587,896.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 5,185,776	\$ 6,548,791
Pledges receivable, net	604,323	318,099
Grants and accounts receivable	3,362,541	5,410,024
Beneficial interest in assets held by others	<u>985,655</u>	<u>1,137,032</u>
Total financial assets	<u>10,138,295</u>	<u>13,413,946</u>
Less amounts not available to be used within one year:		
Board designated funds	2,035,657	1,991,128
Restricted by donors for use in future periods	657,179	570,836
Portion of donor-restricted endowment to be retained in perpetuity	<u>199,733</u>	<u>199,733</u>
Financial assets not available to be used within one year	<u>2,892,569</u>	<u>2,761,697</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,245,726</u>	<u>\$ 10,652,249</u>

The Organization strives to maintain a target minimum operating reserve fund equal to six months of average recurring operating costs. As of June 30, 2022, the operating reserve balance of \$1,668,085 was recognized in the financial statements as part of board designated funds. Operating reserve funds are held in cash and cash equivalents. The Board of Directors has also designated that 10% of all undesignated bequests received will be invested in a long-term investment fund until the Board of Directors authorizes use for a particular purpose.

NOTE 3. CONCENTRATIONS

For the year ended June 30, 2022, approximately 19% of the Organization's pledges came from one corporation. For the year ended June 30, 2021, approximately 34% of the Organization's pledges came from two corporations.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 3. CONCENTRATIONS (Continued)

For the year ended June 30, 2022, support from the Monterey County Emergency Rental and Utility Assistance contract agreement accounted for 87% of the total support to the Organization. For the year ended June 30, 2021, support from the Monterey County Emergency Rental and Utility Assistance contract agreement accounted for 36% of the total support to the Organization.

NOTE 4. CONCENTRATION OF CREDIT RISK

The Organization maintains balances in cash and interest-bearing deposit accounts at various financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Pledges receivable, due within one year	\$ 736,323	\$ 465,099
Allowance for uncollectible accounts	<u>(132,000)</u>	<u>(148,000)</u>
Net pledges receivable	<u>\$ 604,323</u>	<u>\$ 317,099</u>

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

NOTE 6. GRANTS AND ACCOUNTS RECEIVABLES

Grants and accounts receivables include Monterey County, private and Foundation grants and miscellaneous receivables. County grants receivable arise from grant contracts entered into with the County of Monterey. Grant income is billed to the County in relation to services performed by the Organization.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 6. GRANTS AND ACCOUNTS RECEIVABLES (Continued)

Grants and accounts receivables consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Rent and Utility Assistance grant advances	\$ 2,495,813	\$ 2,638,204
Monterey County grants	610,692	2,635,763
California Volunteers	160,624	--
VITA grant	47,334	51,328
Salinas Valley Memorial Healthcare	25,000	25,000
Emergency Food and Shelter program	10,426	--
Miscellaneous receivables	10,331	14,374
UWCA 2-1-1	2,321	--
Cal Am Hardship Benefit program	--	25,000
City of Monterey	--	11,605
Cal EITC	--	8,750
	<u>\$ 3,362,541</u>	<u>\$ 5,410,024</u>

Due to the collection history and the Organization's experience with various County grants and miscellaneous receivables, no allowance for doubtful accounts was considered necessary for other receivables as management believes all amounts receivable are fully collectible.

NOTE 7. GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. The following is a summary of grants authorized and payable at June 30, 2022:

To be paid in 2023	\$ 3,512,669
To be paid in 2024 - 2027	<u>400,000</u>
	<u>\$ 3,912,669</u>

The current portion consists of pass-through grants related to the Monterey County Emergency Rental and Utility Assistance program.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 8. PAYCHECK PROTECTION PROGRAM

The Organization received \$235,745 in Paycheck Protection Program funding on March 15, 2021. The terms of the funding agreement indicated that the Organization must utilize the proceeds to fund/offset qualifying expenses over a twenty-four-week period. The terms of the agreement specified that the Organization must repay the principal of the loan back plus interest, which accrues at 1% semi-annually and matures in two years. The loan may be forgiven if the Organization fulfills the agreed to terms.

During the year ended June 30, 2021, the Organization's management believed they had met the terms of forgiveness and therefore recorded the funding as income in the statement of activities for the year ended June 30, 2021. During the year ended June 30, 2022, the loan was formally forgiven by the U.S. Small Business Administration.

NOTE 9. FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are briefly described below:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value:

- Interest in assets held at Community Foundation for Monterey County: Funds are invested for long-term growth, both in equities and fixed income investments, which are valued at the net asset value of shares held by the Foundation at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 985,655</u>	<u>\$ 985,655</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,137,032</u>	<u>\$ 1,137,032</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,137,032	\$ 923,905
Contributions	6,483	--
Investment income	(141,998)	227,642
Grants	(3,701)	(3,580)
Administration fees	<u>(12,161)</u>	<u>(10,935)</u>
Ending balance	<u>\$ 985,655</u>	<u>\$ 1,137,032</u>

NOTE 10. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Community Foundation for Monterey County (the "Foundation") holds funds for the Organization. Funds are composed of the following as of June 30:

	<u>2022</u>	<u>2021</u>
General Endowment	\$ 81,589	\$ 98,442
Stewardship Fund	256,049	296,964
Stewardship Fund II	226,897	260,684
Stewardship Fund III	<u>421,120</u>	<u>480,942</u>
	<u>\$ 985,655</u>	<u>\$ 1,137,032</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 10. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Continued)

General Endowment: In 1987, the Organization established a "Restricted and Organized Purpose Fund" (the "Agreement") at the Foundation with an initial contribution of \$33,175. All contributions made to the fund are irrevocable. Under the terms of the Agreement, the Foundation may substitute another beneficiary in place of the Organization at the discretion of the Foundation's Board of Directors. Earnings, net of administrative fees, are distributed to the Organization on an annual basis and in accordance with the Foundation's policy on the distribution of earnings.

Stewardship Funds: In 2012, 2016 and 2018, the Organization established a Stewardship Fund, Stewardship Fund II and Stewardship Fund III, respectively, with the Foundation, for the benefit of the Organization. The Organization granted variance power to the Foundation; thus, the Foundation has full authority and discretion as to the investment and reinvestment of the assets.

In the event of the dissolution of the Organization or in the event it shall no longer be an organization described in Section 170 (c) of the Internal Revenue Code of 1954, as amended, the Foundation shall continue to hold the funds and shall distribute the income to organizations as in the opinion of the Foundation most nearly serve the purposes and objectives of the Organization. All monies held in the funds are subject to the power of the Foundation to modify any restrictions or conditions on the distribution of monies for any specified charitable purposes or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

The earnings payout of the funds is evaluated at least annually by the Foundation, in light of total return from investments, fees, expenses, and the effects of inflation, and for the General Endowment, the annual payout is typically 5% of the fair market value of the funds at December 31 of the preceding calendar year. For the years ended June 30, 2022 and 2021, there was no payout of earnings from the Stewardship Funds.

NOTE 11. BOARD DESIGNATED NET ASSETS

Board designated net assets consists of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Operating reserve fund	\$ 1,668,085	\$ 1,630,039
Long-term investment fund	<u>367,572</u>	<u>361,089</u>
	<u>\$ 2,035,657</u>	<u>\$ 1,991,128</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended June 30, 2022, activity in net assets with donor restrictions was as follows:

	Beginning June 30, 2021	Additions	Satisfied	Ending June 30, 2022
211	\$ 233,586	\$ 306,572	\$ 237,204	\$ 302,954
Impact Monterey County	10,000	51,600	61,600	--
Financial Education Workshops	12,500	22,431	--	34,931
VITA	768	11,491	2,970	9,289
FTPA Expansion	--	45,000	35,735	9,265
Stuff the Bus	5,527	53,489	55,326	3,690
Asset Building	16,881	--	16,881	--
Bright Futures	77,994	122,705	111,807	88,892
Earned Income Tax Credit	22,187	53,990	35,122	41,055
EFS-FEMA	15,000	--	--	15,000
Monterey Peninsula Preschool				
Service Corp	14,102	36,278	8,071	42,309
Accessory Dwelling Unit	2,437	14,010	13,674	2,773
Endowment earnings (losses)	159,854	(45,255)	7,578	107,021
Endowment principal	199,733	--	--	199,733
	<u>\$ 770,569</u>	<u>\$ 672,311</u>	<u>\$ 585,968</u>	<u>\$ 856,912</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

For the year ended June 30, 2021, activity in net assets with donor restrictions was as follows:

	Beginning June 30, 2020	Additions	Satisfied	Ending June 30, 2021
211	\$ 45,850	\$ 767,224	\$ 579,488	\$ 233,586
Impact Monterey County	18,868	--	8,868	10,000
Financial Education Workshops	12,500	--	--	12,500
VITA	--	24,988	24,220	768
Stuff the Bus	29,061	73,324	96,858	5,527
Asset Building	12,500	35,000	30,619	16,881
Bright Futures	60,000	160,085	142,091	77,994
Community Impact	12,500	41,638	54,138	--
Earned Income Tax Credit	--	44,250	22,063	22,187
EFS-FEMA	--	15,000	--	15,000
Monterey Peninsula Preschool Service Corp	--	20,178	6,076	14,102
Accessory Dwelling Unit	--	30,058	27,621	2,437
Endowment earnings	86,873	80,012	7,031	159,854
Endowment principal	199,733	--	--	199,733
	<u>\$ 477,885</u>	<u>\$ 1,291,757</u>	<u>\$ 999,073</u>	<u>\$ 770,569</u>

NOTE 13. ENDOWMENT DISCLOSURE

The Organization has two restricted endowments in which the principal is invested in perpetuity and the income is available to support and provide community resources. Total endowments included in net assets with donor restrictions was \$199,733 for each of the years ended June 30, 2022 and 2021.

In 1987, the Organization established a "Restricted and Organized Purpose Fund" (Agreement) at the Community Foundation for Monterey County with an initial contribution of \$33,175. Additionally, in 1990, the General Endowment Fund was established at Morgan Stanley Dean Witter with an initial contribution of \$166,558. Since that time, these endowment funds have been transferred to the Community Foundation Stewardship Fund.

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 13. ENDOWMENT DISCLOSURE (Continued)

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: Each year, the entire earnings of each fund shall be distributed according to written criteria and no earnings are provided to increase principal. The Board of Directors periodically reviews this policy for changes. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted CPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 13. ENDOWMENT DISCLOSURE (Continued)

During the year ended June 30, 2022, endowment net asset activity was as follows:

Beginning balance	\$ 359,587
Interest and dividend income	11,858
Realized and unrealized losses	(57,113)
Grants	(3,701)
Fees	<u>(3,877)</u>
Ending balance	<u>\$ 306,754</u>

During the year ended June 30, 2021, endowment net asset activity was as follows:

Beginning balance	\$ 286,606
Interest and dividend income	9,828
Realized and unrealized gains	70,184
Grants	(3,580)
Fees	<u>(3,451)</u>
Ending balance	<u>\$ 359,587</u>

NOTE 14. COMMUNITY INVESTMENTS AND DESIGNATIONS

The Organization's various fundraising campaigns, contracts and activities resulted in the following distributions to community investment agencies and other benefiting organizations:

	<u>2022</u>	<u>2021</u>
Community investments related to the Emergency Rental Assistance Program	\$ 37,965,453	\$ 2,970,429
Community investments and designations determined by the Board of Directors	1,445,861	2,273,472
Designations directed by donor	<u>92,635</u>	<u>87,582</u>
	<u>\$ 39,503,949</u>	<u>\$ 5,331,483</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 15. PENSION PLANS

Effective July 1, 2019, the Organization changed to an ERISA 403(b) plan covering all employees. Employees are eligible to participate after having worked at least 1,000 hours over a 12 month period. The Organization contributes a non-elective amount of 3% of gross wages for all eligible employees and matches up to 3% of employee contributions. During the years ended June 30, 2022 and 2021, the Organization contributed \$60,058 and \$63,048 to the plan, respectively.

NOTE 16. IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Advertising services	\$ 542,025	\$ 606,928
Fixed assets	87,300	--
Program supplies and materials	6,909	7,523
Professional fees	3,640	3,200
Event venue	<u>3,950</u>	<u>--</u>
	<u>\$ 643,824</u>	<u>\$ 617,651</u>

The Organization receives donated advertisement from local print, radio and television companies. The value is based on market rates provided by the companies for the fiscal year. Professional fees were valued using the standard rates provided by the company of the donated services. Fixed assets, event venue and program supplies and materials were all valued at the estimated price for similar items.

NOTE 17. LONG-TERM DEBT

Long-term debt and the related current portion as of June 30, 2022 consist of the following:

1st Capital Bank	\$ 2,500,000
Community Foundation for Monterey County	<u>1,000,000</u>
	3,500,000
Less current portion	65,825
Less unamortized debt issuance costs	<u>8,672</u>
	<u>\$ 3,425,503</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 17. LONG-TERM DEBT (Continued)

In June 2022, the Organization secured a loan from the Community Foundation for Monterey County to purchase real property at 247 Main Street/236 Monterey Street, Salinas, California (the Central Building). The loan principal is \$1,000,000 with an interest rate of 3.5% and a maturity date of June 27, 2027. The loan calls for interest only payments for one year.

In June 2022, the Organization secured a \$2,500,000 loan from 1st Capital Bank, the proceeds of which were used to purchase the Central Building. The loan, which bears an interest rate of 3%, provides for monthly principal and interest payments for 10 years with the final payment due June 2032.

Maturities of long-term debt for each of the succeeding years are as follows:

2023	\$ 65,825
2024	95,278
2025	98,537
2026	101,702
2027	997,476
Thereafter	<u>2,141,182</u>
	<u>\$ 3,500,000</u>

As of June 30, 2022, unamortized loan fees totaled \$8,672 and are shown as a reduction in the loan payable balance as required by generally accepted accounting principles.

NOTE 18. SUBSEQUENT EVENTS

Management has evaluated its June 30, 2022 and 2021 financial statements for subsequent events through March 23, 2023, the date of issuance of the financial statements. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.